

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

June 27, 2012

TO: Internal File

THRU: Ingrid Campbell, Team Lead *IC*

FROM: James Owen, Engineer *JO*

RE: Midterm Review Completion Response, West Ridge Resources, Inc., West Ridge Mine, C/007/0041, Task ID #4135

SUMMARY:

On June 20, 2012, The Utah Division of Oil Gas & Mining received a response from West Ridge Resources to deficiencies that were identified during a midterm permit review that was commenced on September 29, 2011 and completed on November 1, 2011. Multiple extensions were granted for the response submittal due to extenuating circumstances.

According to the R645 Utah Coal Rules, the Division is required to review each active permit during its term. The Division commenced a midterm review for the West Ridge Mine (Permitee) on September 29, 2011. As a part of this process, the Division performed a review of the Permitee's reclamation bond to ensure that coverage adequately addresses permit changes approved subsequent to permit approval or renewal, and to ensure that the bond amount is appropriately escalated in current year dollars.

During the midterm permit review, it was determined that the bond information in the MRP was outdated and that it needed to be updated and recalculated.

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TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

According to Division records, the Permittee currently has two separate bonds posted. The primary bond posted is in the amount of \$2,117,000.00. A secondary bond was posted in the amount of \$67,000.00. This bond was posted and dedicated to the reclamation of the catchment structures. As of June 2012, the total amount posed for the permit C/007/0041 is \$2,184,000.00.

Determination of Bond Amount

The reclamation cost estimate which has been provided for inclusion in the MRP has been updated to current unit costs. Current unit costs are used to calculate the direct costs of reclamation including demolition, backfilling and grading, and revegetation. These updates were provided using the 2011 data from R.S. Means *Heavy Construction Cost* data manual and appropriate resources. Also, bond summary sheets were updated to current escalation factor estimates.

The Division reviewed the summary sheet and the calculations therein. Indirect and Direct estimates and escalation are correctly calculated. Division calculations indicate that the total reclamation cost increased from \$1,679,576.00 to \$1,795,756.27 (\$116,180 increase). The escalation factor decreased from 3.2 to 1.2, which made the escalation cost decrease from \$286,490 to \$110,362 (\$176,128 decrease) these changes have translated to a \$60,066 decrease in the total reclamation cost, leaving West Ridge with a positive 11.07% difference in bond posted vs. reclamation cost for main site. These estimates do not include the catchment structures, which were properly bonded for in 2009.

Findings:

The Division initiated a complete review and analysis based on the data submitted. The midterm review should be approved.

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RECOMMENDATIONS:

Approval is recommended based on submittal of clean copies.

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